

IRS News Release

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Phase-Out Credit for Toyota and Lexus Hybrids Continues With Reporting of Fourth Quarter Sales

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WASHINGTON — After reviewing the fourth quarter sales of Toyota Motor Sales USA Inc. the Internal Revenue Service announced that purchasers Toyota and Lexus vehicles may continue to claim the Alternative Motor Vehicle Credit. Given the number of vehicles sold, the phase out period for Toyota vehicles began on October 1, 2006.

Toyota sold 67,857 qualifying vehicles to retail dealers in the quarter ending December 31, 2006. This brings the cumulative sales of qualified Toyota hybrid vehicles sold from the period of Jan. 1, 2006, through Dec. 31, 2006, to 212,073.

Taxpayers may claim the full amount of the credit up to the end of the first calendar quarter after the quarter in which the manufacturer records its sale of the 60,000th qualified vehicle. For the second and third calendar quarters after the quarter in which the 60,000th vehicle is sold, taxpayers may claim 50 percent of the credit. For the fourth and fifth calendar quarters, taxpayers may claim 25 percent of the credit. No credit is allowed after the fifth quarter. The sale of Toyota's 60,000th qualified vehicle occurred in the quarter ending September 30, 2006.

The applicable credit amounts are as follows:

Qualifying Vehicle	Full Credit When Purchased By 9/30/06	Reduced Credit When Purchased From 10/1/06 through 3/31/07	Reduced Credit When Purchased From 4/1/07 through 9/30/07	Beginning 10/1/07
05, 06 and 07 Toyota Prius	\$3,150	\$1,575	\$787.50	\$0
06 and 07 Toyota Highlander 2WD and 4WD	\$2,600	\$1,300	\$650	\$0

Qualifying Vehicle	Full Credit When Purchased By 9/30/06	Reduced Credit When Purchased From 10/1/06 through 3/31/07	Reduced Credit When Purchased From 4/1/07 through 9/30/07	Beginning 10/1/07
07 Toyota Camry Hybrid	\$2,600	\$1,300	\$650	\$0
06 and 07 Lexus RX 400h 2WD and 4WD	\$2,200	\$1,100	\$550	\$0
07 Lexus GS450h	\$1,550	\$775	\$387.50	\$0

More information on hybrid vehicles and other alternative motor vehicles can be found on the IRS web site at: www.irs.gov.